

Message Text

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43

ACTION ARA-17

INFO OCT-01 ADP-00 H-02 EB-11 XMB-07 L-03 CIAE-00 INR-09

NSAE-00 RSC-01 COME-00 AID-20 TRSE-00 RSR-01 /072 W

----- 092365

R 191645 Z MAR 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 1025

C O N F I D E N T I A L MANAGUA 1660

E. O. 11652: GDS

TAGS: BDIS, EFIN, NU

SUBJECT: KANSAS DEVELOPMENT CORP. PROPOSED INVESTMENT

REF: STATE 047456

1. KANSAS DEVELOPMENT CORP. (KDC) RES., INCLUDING DAVE STEIN, A U S CITIZEN RESIDENT IN NICARAGUA, INDICATED SEVERAL WEEKS AGO TO AMBASSADOR SHELTON THAT KDC FACED DIFFICULTIES WITH BOTH THE INVESTMENT GUARANTEE AND INVESTMENT INCENTIVE CLASSIFICATION. (THE LATTER INCLUDES DUTY FREE IMPORTS). KDC REPS ASKED AMBASSADOR TO INTERCEDE WITH EXIM, TO GIVE HIS PERSONAL ASSURANCE REGRADING KDC TO BANCO NICARAGUENSE IN ORDER TO SECURE LOCAL GUARANTEE.

AMBASSADOR WAS NATURALLY UNABLE TO GIVE REQUESTED PERSONAL GUARANTEE FOR FINANCING AND LATER LEARNED THAT PROPOSED PROJECT DOES NOT MEET LEGAL REQUIREMENTS REQUISITE TO INVESTMENT INCENTIVE CLASSIFICATION.

2. ACCORDING TO BANCO NICARAGUENSE MARCH 16, IT RELUCTANT TO ISSUE LOCAL GUARANTEE DUE TO LACK OF FAMILIARITY WITH KDC AND DOUBTS REGARDING FEASIBILITY OF PROJECT. HOWEVER, BANCO NICARAGUENSE OFFICIAL STATED WILLINGNESS TO ISSUE GUARANTEE IF QUOTE COUNTER GUARANTEE END QUOTE IS GRANTED BY UCB OR OTHER REPUTABLE US. BANK (UCB HAS NOT YET REPLIED TO MARCH 7 CABLE CONTAINING THIS OFFER).

3. FYI: LAND FOR PROJECT IS LEASED FROM THE SOMOZA ESTATE (SUCESSION), NOT GENERAL SOMOZA. THE GENERAL WILL HAVE NO
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EQUITY IN THE COMPLETED HOTEL, ALTHOUGH, ACCORDING TO DAVE STEIN, LANICA MANAGER GUILLERMO SEVEILLA SOMOZA, THE GENERAL'S NEPHEW AND AMBASSADOR SEVILLA SACAS' S SON, WOULD BE A MINORITY STOCKHOLDER. END FYI.

4. EMBASSY HAS BEEN ASSURED THAT NO IMPEDIMENT WILL BE PLACED IN THE WAY OF THIS FIRMS OPERATIONS IN NICARAGUA AND THE ENTRY OF ITS IMPORTS AS LONG AS ALL LEGAL REQUIREMENTS ARE MET AND APPLICABLE TAXES ARE PAID.
WARNER

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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